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GLEASON PROPOSED AMENDMENT #1

DATE PREPARED: January 23, 2006

COMPANY: Arizona Public Service Company

DOCKET NO: E-01345A-03-0437, E-01345A-05-0526, E-01345A-06-0009

OPEN MEETING DATES: January 24 and 25, 2006

AGENDA ITEM: U-1

Page 15, after Line 19, INSERT:

"The issue of the \$776.2 million annual fuel and purchased power "cap" adopted in Decision No. 67744 was discussed during this hearing. Subsequently, APS has filed an Application seeking, in part, to remove that "cap". Until we have had an opportunity to consider that request, it is reasonable that APS should be permitted to continue to defer fuel and purchased power costs above that "cap". It was never our intent that the "cap" create automatic disallowances of cost irrespective of the Company's efforts to contain fuel and purchased power costs or its compliance with our stated desire that APS file another general rate proceeding in the near future to re-examine, among other issues, the \$776.2 million "cap".

Page 23, after Line 24, INSERT a new Finding of Fact to read:

"The issue of the \$776.2 million annual fuel and purchased power "cap" adopted in Decision No. 67744 was discussed during this hearing. Subsequently, APS has filed an Application seeking, in part, to remove that "cap". Until we have had an opportunity to consider that request, it is reasonable that APS should be permitted to continue to defer fuel and purchased power costs above that "cap". It was never our intent that the "cap" create automatic disallowances of cost irrespective of the Company's efforts to contain fuel and purchased power costs or its compliance with our stated desire that APS file another general rate proceeding in the near future to re-examine, among other issues, the \$776.2 million "cap".

ReNUMBER to conform

Page 25, after line 9, INSERT new Ordering paragraph to read:

"IT IS FURTHER ORDERED that APS may continue to defer fuel and purchased costs in excess of the \$776.2 million "cap" referenced in Decision No. 67744 until this issue has been further examined in Docket No. E-01345A-06-0009."

Make all conforming changes.